

**STATE OF MICHIGAN
DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES
OFFICE OF FINANCIAL AND INSURANCE SERVICES**

Before the Commissioner of Financial and Insurance Services

In the matter of:

Docket No.

Office of Financial and Insurance Services,

Agency No. 04-469-M

Petitioner,

**Agency: Office of Financial &
Insurance Services**

v

**Case Type: Sanction
Cease and Desist**

**Trade Partners, Inc.
Thomas J. Smith, President
Christine M. Zmudka, Vice President
Grand Plaza Place, Suite 570
220 Lyon Street, N.W.
Grand Rapids, Michigan 49503**

and

**Bruce S. Kramer, Receiver
Borod & Kramer, P.C.
245 Wagner Place, Ste. 350
Memphis, TN 38103**

Respondents.

_____ /

Issued and entered
this 9th day of July 2003
by Linda A. Watters, Commissioner

**CONSENT ORDER TO CEASE AND DESIST
PURSUANT TO THE MICHIGAN UNIFORM SECURITIES ACT**

The Office of Financial and Insurance Services (OFIS), pursuant to the Michigan Uniform Securities Act, 1964 PA 265, as amended, MCL 451.501 *et seq* (hereafter the Act), and the rules promulgated under the Act (hereafter the Rules), says that:

FACTS COMMON TO ALL COUNTS

1. Respondent Trade Partners, Inc. (hereafter Trade Partners) is a corporation incorporated under the laws of Michigan. Trade Partners conducted business from its offices at Grand Plaza Place, Suite 570, 220 Lyons Court, N.W., Grand Rapids, Michigan 49503. Trade Partners was engaged in the business of effecting transactions in securities for the account of others or its own account but was not registered as a securities broker-dealer.
2. Respondent Thomas J. Smith (hereafter Smith) was at all pertinent times President of Trade Partners and is not registered as an agent in Michigan to offer or sell securities.
3. Respondent Christine M. Zmudka (hereafter Zmudka) was at all pertinent times Vice President of Trade Partners and is not registered as an agent in Michigan to offer or sell securities.
4. Respondent Bruce S. Kramer was appointed the Receiver for Trade Partners, Inc. on April 15, 2003, by order of the United States District Court, Western District of Michigan, Civil Action No.1:03CV-0236.
5. The Receiver has closed the offices of Trade Partners, and Trade Partners is no longer engaged in business of effectuating transactions in securities.
6. Through a network of agents, Respondents Smith, Zmudka, and Trade Partners (Respondents), offered and sold securities from 1996 through 2002 to Michigan residents, to wit:
 - a. viatical settlement contracts (at least five Michigan residents),
 - b. Sojkara Secured Income Notes (at least one Michigan resident),
 - c. InterGlobal Waste Management Promissory Notes (at least one Michigan resident), and
 - d. TPI Monthly Income IV LLC (at least one Michigan resident).

COUNT I

UNREGISTERED, NONEXEMPT SECURITIES (applies to Respondents Trade Partners, Smith and Zmudka)

7. Paragraphs 1 through 5 are incorporated herein by reference and realleged as if fully set forth.
8. OFIS alleges that the securities offered and sold by Respondents are not registered nor are they exempt from registration under the Act.
9. The offer and sale of unregistered, nonexempt securities is a violation of Section 301 of the Act.

COUNT II

OMISSION TO STATE MATERIAL FACTS (applies to Respondents Trade Partners, Smith and Zmudka)

10. Paragraphs 1 through 5, 7 and 8 are incorporated herein by reference and realleged as if fully set forth.
11. In connection with the offer and sale of the viatical settlement contracts, OFIS alleges that Respondents omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, specifically:
 - a. Failed to disclose the risks inherent in viatical settlement contracts
 - b. Failed to disclose financial information, including financial statements, pertaining to Trade Partners or the life insurance company the viaticated policy is through
12. Omitting to state material facts in connection with the offer and sale of securities is a violation of Section 101(2) of the Act.

COUNT III

ACTING AS AN UNREGISTERED BROKER-DEALER (applies to Respondent Trade Partners only)

13. Paragraphs 1 through 5, 7, 8, 10 and 11 are incorporated herein by reference and realleged as if fully set forth.
14. OFIS alleges that Respondent Trade Partners transacted business in the State of Michigan as a securities broker-dealer.
15. OFIS alleges that Respondent Trade Partners was not registered as a securities broker-dealer in the State of Michigan.
16. Transacting business in the State of Michigan without being registered as a securities broker-dealer is a violation of Section 201(a) of the Act.

COUNT IV

FAILURE TO PROVIDE ALL REQUESTED DOCUMENTS AND FAILURE TO COMPLETELY RESPOND TO AN ADMINISTRATIVE SUBPOENA (applies to Respondents Trade Partners, Smith and Zmudka)

17. Paragraphs 1 through 5, 7, 8, 10, 11, and 13 through 15 are incorporated herein by reference and realleged as if fully set forth.
18. Pursuant to Section 407(a)(1) and (2) of the Act, four requests for information, all dated September 30, 2002, were directed to:
 - a. Mr. Thomas J. Smith, President, Trade Partners, Inc. (regarding Viatical Settlements and/or Senior Settlement Contracts)
 - b. Mr. Thomas J. Smith, President, Trade Partners, Inc. (regarding Promissory Notes)
 - c. Ms. Christine M. Zmudka, Resident Agent, Trade LLC (regarding Viatical Settlements and/or Senior Settlement Contracts)
 - d. Ms. Christine M. Zmudka, Resident Agent, Trade LLC (regarding Promissory Notes).

19. Respondents received all of the requests for information on October 4, 2002. On October 16, 2002, a 30-day extension was requested and granted.
20. However, OFIS alleges that Respondents did not submit any response to the Administrator within the time granted.
21. On January 13, 2003, four subpoenas duces tecum were mailed to the Respondents pursuant to Section 407(b) of the Act. The subpoenas stated that Respondents' deadline for delivery was January 29, 2003.
22. Although a partial response was received on January 29, 2003, OFIS alleges that Respondents failed to submit all of the documents as requested.
23. Respondents failure to provide all documents as requested by the Administrator constitutes a violation of Section 407(a) and (b) of the Act.

WHEREFORE, OFIS finds this action necessary and appropriate in the public interest, for the protection of investors and consistent with the purpose fairly intended by the policy and provisions of the Act; and

WHEREAS, pursuant to Sections 412(a) and (b) of the Act, OFIS finds this Consent Order necessary and appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act; and

WHEREAS, OFIS and Respondents are desirous of settling this matter as hereafter set forth and agree to the entry of this Consent Order;

THEREFORE, IT IS ORDERED that, pursuant to Section 408(c) of the Act, that the exemptions specified in Sections 402(a)(1), (6), (7), (8), (9), and (10) and Section

402(b) of the Act BE AND HEREBY ARE SUMMARILY REVOKED AND DENIED with respect to the Respondents.

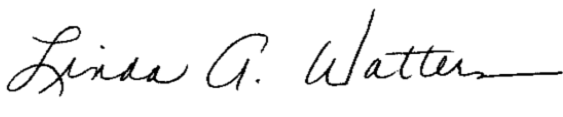
It is further ordered, pursuant to Section 408(a) of the Act, that the Respondents CEASE AND DESIST in the State of Michigan from any act or practice constituting a violation of the Act, Rules or an Order issued pursuant to the Act.

It is further ordered, pursuant to Section 408(d) of the Act, that the Respondents pay a civil penalty to the State of Michigan in the amount of \$10,000.00 (ten thousand dollars) by certified check within 30 (thirty) days of the entry of this Order.

Any other communication regarding this Consent Order should be addressed to the Office of Financial and Insurance Services, Conduct Review and Securities Division, Attention: Joyce A. Karr, Deputy Commissioner, P.O. Box 30220, Lansing, Michigan 48909-8201.

It is so ordered by:

MICHIGAN DEPARTMENT OF
CONSUMER AND INDUSTRY SERVICES

By: 

Linda A. Watters, Commissioner
Office of Financial and Insurance Services

The undersigned consent to the entry of this Consent Order to Cease and Desist:

For the Respondent
Trade Partners, Inc:

For the Petitioner
Office of Financial and Insurance Services

Bruce S. Kramer, Receiver
Borod & Kramer, P.C.
245 Wagner Place, Ste. 350
Memphis, TN 38103

Joyce A. Karr
Deputy Commissioner
Conduct Review and Securities Division
Lansing, MI 48909

A Copy of this Consent Order was sent by Certified Mail to:

Trade Partners, Inc.
Thomas J. Smith, President
Christine M. Zmudka, Vice President
Grand Plaza Place, Suite 570
Grand Rapids, Michigan 49503

Bruce S. Kramer
Borod & Kramer, P.C.
245 Wagner Place, Ste. 350
Memphis, Tennessee 38103

A Copy of this Consent Order was sent by Interdepartmental Mail to:

David W. Silver
Assistant Attorney General
Insurance and Banking Division
Williams Building – 6th Floor
525 W. Ottawa Building
P.O. Box 30212
Lansing, Michigan 48909